

Beaver Creek Cooperative Telephone Company
PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT PLAN

OVERVIEW

This document is an integral part of Beaver Creek Cooperative Telephone Company's (Beaver Creek) 2015 Annual Report, as attached to the Form 481. It is in compliance with §54.313(a)(1) adopted in the Federal Communications Commission USF/ICC Transformation Order (11-161) and incorporates all further clarifications identified in subsequent Reconsideration Orders, as applicable, that were in effect at the time the Annual Report was due, by Rule, to the requisite regulatory authorities.

Beaver Creek advises the environment in which the company operates is dynamic. As a result, certain network targets identified in its initial Five Year Service Quality Improvement Plan filed in 2014 may be modified in response to regulatory decisions subsequently adopted, when their implication upon Beaver Creek's financial viability in providing the required services and service level quality became known.

Modifications to the original network/service quality improvement plan may also have occurred due to changes in technology-driven support by vendors, weather or other emergency related contingencies as well as restraints on readily available cash.

Targets not met or changed since the initial Five Year Plan filing are identified and an explanation provided for these changes.

UNIVERSAL SERVICE SUPPORT RECEIVED IN 2015

On June 24, 2015 the Universal Service Administrative Company website reported a total of \$346,194 in Universal Service Funding (USF) received by Beaver Creek (for calendar year 2015, January through April). This is the most current information available as of the preparation of this filing. The breakdown of the support funding for 2015 is as follows:

- \$ (730) High Cost Loop
- \$196,936 Interstate Common Line Support
- \$149,988 Connect America Fund-Intercarrier Compensation Support

USF support funds are used to: 1) maintain, upgrade and improve Beaver Creek's network, and 2) to cover its operating expenses and debt commitments as necessary to permit Beaver Creek to offer a high level of service for both voice and broadband throughout its regulated ILEC service area. Per 47 C.F.R. §54.314, federal USF support, "will only be used for the provision, maintenance, and upgrading of facilities and services for which the support is intended." If investments or expenses are for service areas larger than the supported service areas, then allocations of the expenditures are required.

USF support will continue to be included in Beaver Creek's current revenue accounts and forward-looking projections. Revenues, in the aggregate, are used for both capital expenditures as well as operating expenses and fixed costs incurred to obtain capital from lenders when appropriate. Beaver Creek does not segregate USF for the purposes of capital and operating expenditures; USF is expended in the same proportion as other revenue sources.

The proportionate share of USF expenditures for year-to-date 2015 is estimated as \$14,066 (4%) for capital projects and \$332,128 (96%) for operating expenses.

In the accompanying 2015 project detail, expenditures for network improvements may include service quality, coverage and capacity as an integrated improvement project and are not mutually exclusive from one another. In terms of cost, projects involving multiple qualifiers are so noted as well as any project involving a single qualifier.

PROGRESS REPORT

Beaver Creek provides the following updates on 2015 capital expenditures as of May 31, 2015:

Monthly New Installs/Plant Additions/Maintenance

Monthly work order activity in the Beaver Creek ILEC service area includes minor construction, replacement work of main line facilities, service drop installations and installation of miscellaneous electronic equipment. Approximately one-third of the budgeted amount for 2015 has been spent. These capital expenditures improve both voice and broadband service offerings.

DLC/DSLAM Battery Replacements

Six digital loop carrier (DLC) sites require battery replacements. These are noted on the map. Replacement of the existing battery strings improves service quality for both voice and broadband. Approximately one-third of the budgeted amount for 2015 has been spent.

Broadband Upgrades & Additions

Broadband upgrade work in the Beaver Creek ILEC service area includes replacement of ADSL service cards due to failure and/or age as well as the addition of gigabit Ethernet uplink hardware to assist with facility traffic loads. This will improve service quality and increase capacity for future broadband demands. Approximately one-half of the budgeted amount for 2015 has been spent.

Norry Court (Norry) DLC/DSLAM

The Norry Court project will replace an existing DLC/DSLAM system adjacent to an existing fiber backbone route on Beaver Creek Road. The new system will improve service quality for both voice and broadband customers as well as increasing the available broadband speeds from 1.5 Mbps downstream/1 Mbps upstream to 15 Mbps

Beaver Creek Cooperative Telephone Company

SAC 532359

Progress Report on Service Quality Improvement Plan

Page 2 of 3

downstream/1 Mbps (or greater) upstream. Work on this project started after the May 31, 2015 date used for the 2015 progress report.

Eldorado Road Fiber Addition (Phase 1 of 3)

There is no available funding for this project in 2015. Reconsideration of the project will occur in future years as funding allows.

Network Monitoring/Remote Telemetry Unit

This 2015 project was completed in February 2015; it provides alarm event logging, reporting and alerting functionality, improving service quality for customers by enhancing network functionality for fast, accurate reporting of alarm situations.

Upgrade Existing Corporate Phone System

This project is nearing completion as of the date of the 2015 progress report; the new phone system provide a better customer experience and enhance the corporate image of Beaver Creek in its daily business operations. Because Beaver Creek offers both regulated and non-regulated services to its customers, only 75% of the expenditure is allocated to regulated operations.

Henrici Road Storm Drainage Project

This is a joint project with Clackamas County; the County has a federally funded project to improve storm drainage on Henrici Road. Beaver Creek has approximately 1,300 feet of facilities to be relocated. The project includes the relocation of some non-regulated facilities; the majority of the relocation is regulated ILEC facilities. The relocation work will be done in concert with the County's contractor to minimize cost.

Beaver Creek Cooperative Telephone Company SAC 532359
NETWORK IMPROVEMENT PROJECTS-PROGRESS REPORT
AS OF 2015 ANNUAL REPORT SUBMISSION - JULY 1, 2015

MAP REF.	WIRE CENTER NAME & CLI Beavercreek BVCKORKADS1	DESCRIPTION of IMPROVEMENT	PURPOSE	COST ESTIMATE	ACTUAL COST (YTD)	REGULATED % ALLOCATION	AMOUNT IN USE SUPPORT AREA	% VOICE	% BROADBAND	AREA IMPACTED	SUBSCRIBERS IMPACTED	TARGET COMPLETION DATE	ACTUAL COMPLETION DATE	Notes
	A	B		C	D	E	F=C+E	***	***	***	***	***	***	
	2015													
	Capital Budget Line Item													
ILEC Serving Area	20150030	Monthly New Installs/Plant Additions/Maintenance	Service Quality/Increased Capacity	\$120,000	\$40,360	100%	\$120,000	50%	50%	64 sq miles	2,660	12/31/2015		
Six Sites (1)	20150040	DLC/DSLAM Battery Replacements	Service Quality	\$19,100	\$6,923	100%	\$19,100	50%	50%	24 sq miles	990	12/31/2015		projects are closed out monthly
Leland Hub (2)	20150050	Broadband Upgrades & Additions	Service Quality/Increased Capacity	\$9,725	\$4,514	100%	\$9,725	0%	100%	3 sq miles	144	12/31/2015		first project closed out
Norry Ct. (3)	20150500	Norry Court (Norry) DLC/DSLAM	Service Quality/Increased Capacity	\$30,000	\$0	100%	\$30,000	50%	50%	2 sq miles	85	12/31/2015		2/28/2015
					no available funding in 2015									
Spangler (4)	20150070	Eldorado Road Fiber Addition (Phase 1 of 3)	Service Quality/Increased Capacity	\$118,000		100%	\$118,000	50%	50%	2 sq miles	300 (when Phase 3 is completed)	12/31/2015		
Hoffman (5)	20150080	Network Monitoring/Remote Telemetry Unit	Service Quality/Improved Network Functionality	\$5,000	\$6,103	100%	\$6,103	50%	50%	64 sq miles		6/30/2015	2/28/2015	(A)
Henrici Rd (6)	20150090	Upgrade Existing Corporate Phone System	General Support of Business Operations	\$20,000	\$6,817	75%	\$15,000					6/30/2015		(A)
		Henrici Road Storm Drainage Project	Facilities Move/Joint Project with Clackamas County	\$27,360	\$90	90%	\$24,624	50%	50%	< 1 sq mile	25	12/31/2015		(A)

2015 TOTAL PROJECTS

\$349,185

NOTES

(A) 2015 Capital Budget Item, new line item for Progress Report that was not part of initial Five Year Service Quality Improvement plan

The cross-hatched section of the map represents the non-regulated CLEC serving area of BCT's operations.

The major portion of the map represents the regulated ILEC serving area of BCT's operations.

